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ISRAELIS SAY ISRAEL WAS NOT PARTY TO ANY DEAL FOR HOSTAGES' RELEASE By Hugh Orgel

TEL AVIV, Nov. 19 (JTA) -- Israeli officials emphasized Tuesday that Israel was not a party to any deal for the release of Western hostages held by Islamic fundamentalists in Lebanon and there would be no quid pro quo.

While it welcomed the freeing of American Thomas Sutherland and Briton Terry Waite, the Israeli officials emphasized that the world must not expect Israel to reciprocate by releasing its Shi'ite Moslem prisoners, especially the religious leader Sheik Abdel Karim Obeid.

That was made clear to visiting Republican Party and Bush administration officials by Foreign Minister David Levy on Tuesday, It was reiterated in foreign radio and television interviews by Deputy Foreign Minister Benjamin Netanyahu.

Such a move was not included in negotiations for freeing of Sutherland and Waite, they stressed

Levy and Netanyahu reinforced the position set down by Prime Minister Yitzhak Shamir at a Los Angeles news conference Monday.

Shamir, on a 10-day speaking tour of the United States, which culminates in a meeting with President Bush in Washington on Friday, stated flatly that Israel would release no more Arab prisoners until it has detailed information about its own missing service personnel in Lebanon.

Specifically, Israel wants details of the fate of three soldiers captured by the Syrians during the Lebanon war nearly 10 years ago and about air force navigator Ron Arad, the only man missing in action who may still be alive.

Israel released 66 Moslem prisoners earlier this year upon receiving reliable information that two of its MIAs, Yossi Fink and Rahamim Alsheikh, were dead. They had been captured by the Syrians, who turned them over to a terrorist organization.

Israel wants their bodies returned. So far it has gotten back only the body of Sgt. Samir Assad, a member of the Israel Defense Force.

Three other MIAs believed dead are Yehuda Katz, Zecharia Baumel and Zvi Feldman. Israel awaits confirmation and will insist that their bodies be returned before it agrees to release any more Shi'ites.

It is believed to be saving Obeid for the last. He would be exchanged for Arad, the only MIA presumed to be alive.

Meanwhile, Uri Lubrani, an Israeli diplomat who has headed many hostage exchange negotiations, is said to be awaiting a call to continue discussions about the missing Israelis.

Yohanan Bein, a senior Foreign Ministry official who deals with the hostage issue, said Monday night he was not surprised by the releases of Sutherland and Waite.

They indicate an overall hostage-prisoner release deal engineered by U.N. Secretary-General Javier Perez de Cuellar, Bein said.

"We knew it was coming. Today's step can be described as one wheel in the machine. I hope the entire deal is completed by the end of December, when (Perez) de Cuellar completes his tenure at the United Nations," Bein said.

He added that as far as Israel is concerned, the next move is up to the Islamic extremist Hezhollah.

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"They know exactly what we are waiting for," he said.

Meanwhile, there was no reaction here to Waite's remark, apparently aimed at Israel after his release Monday in Damascus, that he had experienced "nightly bombardments while chained to a wall."

He demanded also that the "innocent hos-tages of south Lebanon" be released immediately, an apparent reference to Israeli detainces in the southern Lebanon security zone.

HOSTAGE RELEASE EXPECTED TO INCREASE PRESSURE ON GERMANY TO FREE HAMADEIS By David Kantor

BONN, Nov. 20 (JTA) -- The release of two Western hostages in Lebanon on Monday and the imminent release of others is expected to increase pressure on Germany to free a pair of Arab terrorists serving long prison terms here.

Diplomatic sources confirmed Tuesday that German officials are consulting with their allies about the fate of the brothers Mohammed and Abbas Hamadei.

August, German authorities rejected In suggestions that the Hamadeis would be included in any global prisoner swap. But in September, a diplomatic source refused to rule out an eventual pardon of the brothers.

The United States is expected to balk at any deal, especially since it had tried in vain to persuade the Germans to extradite Mohammed Hamadei for trial in a U.S. court.

He was tried instead in Germany for the 1985 hijacking of a TWA airliner and the murder of a U.S. Navy diver. Mohammed was sentenced to life imprisonment and Abbas to 13 years for his role in the kidnapping of other Germans in Lebanon as a way to free his brother.

Those Germans were ultimately released. But two other Germans, Heinrich Strubig and Thomas Kemptner, were kidnapped in May 1989 and are still held hostage by extremist groups in Lebanon. The kidnappers are demanding immediate freedom for the Hamadeis or the promise of pardons in the near future.

The kidnappers also insist that Israel release its Arab detainees.

ISRAEL'S STATE ATTORNEY RECOMMENDS GOVERNMENT NOT CHARGE HANAN ASHRAWI By Gil Sedan

JERUSALEM, Nov. 19 (JTA) -- State Attorney Dorit Beinish has recommended that the government not press legal charges against Palestinian activist Hanan Ashrawi.

In a written legal opinion Monday, Beinish questioned police claims that there is a strong case to be made against Ashrawi for violating the Israeli law that forbids contacts with representatives of the Palestine Liberation Organization.

She also referred to the political implications that would arise should the West Bank academic, who gained worldwide attention as spokeswoman for the Palestinian delegation at the recent

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Madrid peace conference, be arrested and put on trial by the Israeli authorities.

Those considerations are just as important as the legal aspects of the case, she stressed.

The final decision rests with Attorney General Yosef Harish. Although he will consult first with Justice Minister Dan Meridor, Harish is expected to accept Beinish's recommendation.

The police investigated allegations that Ashrawi met with PLO figures in Tunis in August, on the complaint of Knesset member Elyakim Haetzni of the right-wing Tehiya party.

But chances that any action would be taken against the Bir Zeit University lecturer faded after President Bush expressed his personal concern over her plight at a meeting with Arab-American leaders in the White House last Friday.

Meanwhile, 30 Knesset members appealed to President Chaim Herzog this week to grant amnesty to peace activist Abie Nathan, who is doing an 18-month prison stretch for meeting PLO chief Yasir Arafat last spring.

Laborite Uzi Baram said that considering the decision not to press charges against Ashrawi for the same offense, Nathan should be pardoned.

But the President's Office indicated that the president will not intervene unless Nathan initiates a request for amnesty.

Officials say he has shown no "remorse."

Nathan says he will do his time so long as the law he considers ludicrous and counterproductive remains on the books.

SHAMIR PROMISES CORPORATE INVESTORS FRIENDLIER BUSINESS CLIMATE IN ISRAEL By Tom Tugend

LOS ANGELES, Nov. 19 (JTA) - Prime Minister Yitzhak Shamir promised American corporate investors a new business-friendly climate in Israel as he wound up his four-day Los Angeles visit Monday evening with a pep talk to 200 Israeli and California industry leaders.

Urging U.S. industrialists "to shake off outdated impressions and stereotypes," Shamir declared that the Israeli economy is at the cutting edge of world technology, fueled by a highly skilled labor force, and is "opening itself up to international trade and competition to a truly extraordinary extent."

His government is "firmly committed to streamlining the bureaucracy," Shamir stressed, and is aiming "to reduce inflation and abolish all remaining exchange controls."

The prime minister, who had declared repeatedly that the main purpose of his 10-day visit to the United States was to drum up business for the Jewish state, capped a half-day seminar bringing together 16 top Israeli industrialists and close to 200 of their West Coast counterparts.

The Israeli delegation was led by Dov Lautman, president of the Israel Manufacturers' Association. One observer estimated that the companies represented at the meeting accounted for 50 percent of all Israeli exports.

The caliber of the Israeli delegation was appreciated by Amos Freedy, president of Perceptronics in Los Angeles, who found it "ingorating to see successful businessmen rather than government officials" representing Israel.

"There is a clear vision of what's needed at the top, but the key will be whether this vision will be propagated to middle management in Israel," Freedy said.

One of Israel's main selling points, said

Lautman, is that it is the only country that has free-trade agreements with both the United States and the European Economic Community.

"Israel can serve as a bridge between American manufacturers and Europe," he said.

Ronald Perlman, executive vice president of Intel International, said that the attitude toward Israel was shifting from making charitable donations to a more businesslike approach. "Donation is a crutch, investment is a cure," he said.

Doing business with Israel still has its problems, according to Perlman, including the tendency by the Israeli side to dot every "i" and cross every "t" again and again in negotiating contracts and agreements. But with Israel's urgent need to create 300,000 new jobs for immigrants, he hoped that this and other problems would ease. Coinciding with the forum, Governor Pete

Wilson of California told Shamir in a private meeting Monday that he was establishing a California-Israel task force to facilitate trade and investment.

Although clumps of U.S. and Israeli businessmen huddled throughout the afternoon, the main purpose of the seminar was not to strike deals but to "create an appetite for exploring future cooperation," said Avi Elkind, the Israeli consul for economic affairs in Los Angeles.

Elkind, who organized the meeting, noted that trade between the U.S. and Israel totaled \$6.2 billion in 1990 and that Israel ranks 21st among U.S. trading partners.

The Israeli delegation is scheduled to meet with East Coast businessmen in Boston on Wednesday and Thursday, On Friday, Malcolm Forbes, Jr., publisher of Forbes magazine, will host the Israelis in New York.

POLICE CHIEF APOLOGIZES AFTER SEARCH TURNS UP NOTHING IN MOSLEM COURT By Gil Sedan

JERUSALEM, Nov. 19 (JTA) -- Jerusalem police may have felt like Keystone Kops, but it was their chief. Commander Haim Albaldes, who had to eat crow Tuesday before local Moslem religious leaders.

The police Monday night raided the offices of the Moslem Religious Court on Saladin Street, the main thoroughfare of Arab East Jerusalem. They were on the trail of documents that would confirm intelligence reports of imminent and dangerous hostile activities in the Holy City.

Where there is sufficient reason to suspect that violence is imminent, Israeli police may break into private premises without warning and without a search warrant.

The cops broke in, searched and left emptyhanded. The supposed evidence was nowhere to be found. The documents they seized were legitimate.

The raid raised tempers in the capital. About 100 protesters, led by members of the Supreme Moslem Council, or Waqf, marched down Saladin Street, through Damascus Gate to the Temple Mount.

The police did not interfere and no disturbances were reported. But it fell to Albaldes, as senior cop, to appear before the Moslem Court to appologize on behalf of the department to the assembled dignitaries.

He said that while the police acted with sufficient authority, they failed to show "adequate sensitivity" to the status of the court.

The Moslem religious leaders reportedly thanked Albaldes for apologizing in person.

TRIAL OF ACCUSED KAHANE ASSASSIN OPENS IN NEW YORK, DEFENSE CRIES CONSPIRACY By Larry Yudelson

NEW YORK, Nov. 19 (JTA) -- The theory that Rabbi Meir Kahane was murdered by extremist Jews who had broken with his movement, offered by defense lawyers for accused assassin El Sayyid Nosair, has been echoed by a long-time follower.

Helen Birnbaum of Kahane Chai, a group founded after the rabbi's death, said that while she believes the Egyptian-born Nosair may have pulled the trigger, he must have been acting under orders of a Jewish group.

"We feel it unlikely any Arab would be able to kill our rabbi," she said. "He is the prophet of our generation."

Attorney William Kunstler painted a different picture of the former Knesset member. In his opening remarks to the jury Tuesday, he emphasized what he described as the rabbi's racist, anti-Arab and anti-black beliefs.

For its part, the prosecution said it would call more than a dozen witnesses who saw Nosair fire the shots that killed Kahane and wounded an off-duty postal inspector on Nov. 5 of last year.

The defense claims that the Egyptian-born Nosair, who was wounded by the postal inspector, was an innocent bystander, seized by Kahane followers because he was the only Arab in the room.

But a recent issue of New York's weekly Village Voice cited Israeli, Egyptian and American intelligence sources linking Nosair to Al Jihad, the group behind the assasination of Anwar Sadat, and to notorious Palestinian terrorist Abu Nidal.

In contrast to previous court appearances, there was no violence outside New York Criminal Court on Tuesday.

Nosair was dressed in a traditional long white Arab robe. He wore a large white knitted skullcap with blue Arabic wording that translated into "Allah will be victorious."

One of the dozen or so Kahane supporters at the trial had his own message knitted on his yarmulke: "Kahane Chai," or "Kahane lives."

Kahane Chai is only one of many organizations that have over the years tried to make Kahane -- and his message -- their own. Its most active current rival is Kach International, the political party founded by Kahane for his Knesset races, to which the rabbi devoted his energies after making aliyah.

'A Kind, Gentle Soul'

"Make sure to tell everyone what a kind, gentle soul the rabbi was," said one soft-spoken woman outside the courtroom who wore a vintage yellow Jewish Defense League T-shirt featuring the rabbi's symbol of a clenched fist inside a sixpointed Jewish star.

The long history of violence on the part of the martyred rabbi and his followers was emphasized by lawyers Kunstler and Michael Warren. But while they promised "bombshell" evidence that would clear their client, they have yet to produce more than vague allegations of a feud among former followers. And, hedging their bets, they noted as well that "Kahane was hated by a number of people outside his organization."

Suprisingly, Birnbaum of Kahane Chai made a similar reference to the history of internecine violence among Jewish right-wing extremists.

Like Kunstler, she criticized the district attorney's office handling of the case.

"We believe Nosair will be acquitted because of the incompetence of the State of New York," she said. "This does not obviate the fact Nosair may have pulled the trigger."

From the defense remarks, it appears that a key defense tactic will be to portray the government witnesses as racists. Kahane was disqualified by the Israeli High Court from running for Knesset in 1988 because of racist beliefs.

Explaining why Nosair attended Kahane's speech, Kunstler said that "any Arab or Islamic person should be interested in hearing Kahane talk, in listening to someone advocating genocide of Arabs and Moslems."

The racial composition of the jury became an issue during jury selection earlier this month, when the prosecution charged defense lawyers with deliberately excluding whites from the panel. Such exclusions are illegal in New York.

Kunstler denied he had kept prospective jurors off the jury because of their race. But he did say, according to The New York Times, "We want a third-world jury of non-whites, or anyone who's been pushed down by a white society."

Following a ruling on the matter by the presiding judge, the five blacks and one Hispanic who had already been seated as jurors were supplemented by six whites.

New York State Assemblyman Dov Hikind, who represents the Jewish areas of Brooklyn that gave Kahane his earliest and strongest support, told reporters outside the courtroom: "The issue is not Rabbi Kahane, or any philosophy he held. It's about the murder of someone for speaking what he believed."

ARGENTINE PRESIDENT VOWS TO OPEN ALL NAZI FILES By Larry Yudelson

NEW YORK, Nov. 19 (JTA) -- The president of Argentina has promised to provide Jewish researchers with access to all files on Nazi leaders who found refuge in Argentina.

He denied charges that his country is hiding secret files on Martin Bormann, Adolf Hitler's deputy, whose postwar fate is a matter among dispute among Holocaust scholars.

Meeting on Monday with Jewish organizational leaders, President Carlos Saul Menem also said he will continue raising the plight of Syrian Jewry in discussions with Syrian President Hafez Assad. Menem, who is of Syrian descent, said he raised the matter in meetings with the leaders of Egypt and Tunisia.

Menem was praised by the Jewish leaders for passing anti-discrimination legislation, banning neo-Nazi marches, intervening for Israeli scrvicemen missing in action and becoming the first Argentinean head of state to visit Israel.

The issue of Argentine files on escaped Nazi war criminals was raised by Gerald Posner, author "Hitler's Children," in an op-oe published in The New York Times on Nov. 13. Posner charged that he had seen a bulging file on Bormann in the secret archives of the Argentine Federal Police.

Bormann, who directed the German operation that shipped gold, diamonds and other booty from Nazi death camps to safe harbor in sympathetic Peronist Argentina, was never certified dead, though many experts, including Simon Wiesenthal, believe he did not escape Europe.

Menem said he had asked his Interior Ministry for its files on Bormann, but was told none existed.

JEWISH AGENCY TAKES FLAK FOR PLAN TO SETTLE SOVIETS ON NEGEV FARMS Vehonathan Tommer

JERUSALEM, Nov. 19 (JTA) -- A Jewish Agency plan to settle Soviet olim in farm communities deep in the Negev has run into heavy flak from the Soviet Jewish Forum, an immigrants advocacy group headed by Natan Sharansky.

Absolutely "irrelevant" to the professional needs of Soviet olim, a Forum spokesman declared in reaction to the Agency's announcement that it will build four rural settlements in the Negev. primarily for Soviet immigrants.

"Soviet newcomers will go wherever jobs are available, but few are interested in becoming farmers and how many can be employed growing tomatoes?" the spokesman asked

"Instead of creating struggling communities, Israel should be building factories, hi-tech industries and scientific think tanks to harness unique Soviet professional skills and brainpower for the country's economic growth," he declared.

Since 1990, 20,000 Soviet and 4,000 Ethiopian immigrants have been housed in rural settlements around the country, about 6,000 of them in the Negev.

But Soviet and Ethiopian olim are being kept well separated, apparently because of the social friction and racial clashes that developed between the two groups when they were housed at common absorption centers.

Ethiopian olim, who have been dispersed to communities around the country, have not been earmarked for the planned Negev settlements.

Two are in the southern Arava region, one in the central Negev highlands and the fourth near Moshav Yated, close to the Egyptian border.

Each community is intended to house 250 families. According to the Jewish Agency's plans, the nucleus will consist of 60 Soviet families, less than four months in the country, who are living in temporary mobile homes near Moshav Yated, where they work part time while studying Hebrew.

Building plans are currently awaiting Housing Ministry and Cabinet approval, Land preparation is expected to start within a year at the earliest, according to Mordechai Konstrinaski, director general of the Rural Settlements Department.

UCSJ SAYS U.S. LIMITS ON SOVIET JEWS ADDS PERIL IN FACE OF ANTI-SEMITISM By David Friedman

WASHINGTON, Nov. 19 (JTA) -- The U.S. policy limiting the number of Soviet Jews who can enter the United States as refugees is endangering Jews facing growing anti-Semitism in the Soviet Union, the Union of Councils for Soviet Jews warns.

"We must continue to challenge our own country's Soviet refugee policy, established in 1989 on the principle that it was safe for Jews to wait in their homes to be processed to the U.S.," said Pamela Cohen, president of the Union of Councils.

"The immigration numbers tells us that Soviet Jews believe the time to leave is now and they know there is no one to protect them if they wait."

Prior to 1989, Soviet Jews who left the Soviet Union with visas for Israel but decided to change their destination before reaching Israel were eligible for refugee status in the United States. Now, however, those seeking refugee status must apply in Moscow. But only 50,000 Soviet Jews will be allowed to enter the United States this year.

Cohen, who spoke at a Union of Councils nublic policy symposium Monday, said that in the long run Israel will be able to absorb all Soviet Jews who go there.

But many Soviet Jews who believe they will not be able to survive economically there have

decided to delay their departure, she said. "We fear deeply for those who may opt to choose to remain or delay, as we would have feared for half of Germany's Jews -- who waited and were caught behind closed borders" in the 1930s, Cohen said.

At the same time, she stressed that Jews must play a part in the development of democracy in the Soviet republics.

"If Jews aren't protected and empowered as full citizens in the republics, democracy has not the dimmest of hope," she said. "There will not then be rights guaranteed to other minorities." In a speech to a Union of Councils awards

dinner Sunday night, Rep. Steny Hoyer (D-Md.) asserted that rising anti-Semitism and other hatemongering in the Soviet Union and the former East European Communist countries should not be fought by restricting freedom of speech and assembly.

"But leaders at every level of government should openly and loudly condemn such attitudes. and actively promote tolerance, mutual understanding and equal rights," he said, adding that "criminal acts that result from intolerance must be prosecuted."

Hover, along with Sen. Dennis DeConcini (D-Ariz.), is co-chairman of the Commission on Security and Cooperation in Europe, which monitors compliance with the Helsinki Accords.

Hoyer said they have introduced legislation requiring the president to keep Congress informed about human rights in each Soviet republic, as was done up to now with the Soviet Union.

KNESSET RIGHT AND LEFT JOIN RANKS AGAINST RELIGION IN THE SCHOOLS By Gil Sedan

JERUSALEM, Nov. 19 (JTA) -- Knesset members from the left and right sides of the political spectrum were in rare accord this week when they introduced an amendment affording Israel's secular students "equal protection and opportunities" to those enjoyed by religious students.

The amendment, "designed to protect the secular education system," was initiated by Hemdat, the Council for Freedom of Science, Religion and Culture in Israel.

A draft bill, submitted to Knesset members three months ago by Hemdat Chairman Hillel Shoval, already has the support of the Labor Party, Citizens Rights Movement and Center Shinui on the left and of the right-wing Tsomet and Moledet parties.

The amendment was formally introduced in parliament this week by Shulamit Aloni of the CRM and Yoash Zidon of Tsomet.

According to Hemdat, the need to protect secular students arose when the National Religious Party's Zevulun Hammer became minister of

education. Hemdat referred to Hammer as "a religious Orthodox minister who aspires to spread religious values throughout the education system."